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ABSTRACT

To help grantmakers understand the impact of the Reagan administration's economic program, the author examines the program as a whole, particular budget areas, and likely effects on grantors and grantees. Chapter 1 profiles the Reagan program's reductions in federal spending, regulation, and taxes. The author notes the areas cut, losses for nonprofit organizations, the effects of block grants, agencies to be eliminated, and tax impacts on charitable giving and foundation grants. A closer analysis of the Reagan budget, in chapter 2, first assesses the general impact on entitlement programs and the social "safety net" and then focuses on areas of interest to grantmakers, especially social welfare, education, health, income assistance, environment and conservation, arts and culture, and neighborhood and community groups. The third chapter analyzes the implications of the Reagan program for grantmakers. It looks at the amounts of aid needed to make up the cuts, grantseekers' expectations, and grantmakers' current responses to the situation, including individual grantors' activities, collaboration among grantmakers and between public and private agencies, and actions to strengthen management capabilities. Two appendices list 27 organizations that have analyzed the Reagan economic program as well as programs targeted for elimination in 11 federal departments and agency groups. (RW)

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COUNCIL ON FOUNDATIONS, INC.

The Reagan Economic Program: A Working Paper For Grantmakers

by

Anne S. Morrison

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September 1981

THE REAGAN ECONOMIC PROGRAM:
A WORKING PAPER FOR GRANTMAKERS

for the

COUNCIL ON FOUNDATIONS, INC.

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PREFACE

The Council on Foundations initiated this report to assist grantmakers in understanding the impact of the economic policies of the new Reagan Administration. Begun in early May, most of the research was completed before Congress approved the new budget and tax legislation in midsummer. Wherever possible, the Administration proposals have been updated to include the actual figures voted by Congress in the budget reconciliation. However, since the budget and tax reductions approved by Congress are close to the President's initial requests, the overall implications of the economic program for grantmakers are essentially unchanged.

Lester Salamon, director of the Center for Public Management and Economic Development Research at The Urban Institute, deserves special thanks for his assistance, as well as for permission to draw on his excellent analysis, The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals, in the preparation of this report.

This report would not have been possible without the help of many Federal officials, grantmakers, and representatives of nonprofit organizations who responded to questions on the President's proposals. In particular, I would like thank Rob Stein for sharing his sensitivity to the worlds of both grantseekers and grantmakers. I am also grateful to the staff of the Council on Foundations who provided invaluable assistance, especially Eugene Struckhoff, Elizabeth Boris, Lois Roisman, Ulysses Ricks, Alaric Joe, Carol Hooper, and Ken Yerkes.

Anne S. Morrison

Washington, D.C.
September 1981

CHAPTER I: OVERVIEW OF THE REAGAN ECONOMIC PROGRAM

INTRODUCTION

Now that the process of implementing the economic policies and directions of the Reagan Administration has begun, increasing attention will be focused on private grantmakers and their responses to the impacts of these policies. For a variety of economic, social, and political reasons, fundamental changes are occurring in America. The Reagan Administration, which has come to power on a platform advocating change, is making sweeping alterations in government policies--in the spending, tax, and regulatory areas, as well as in shifting program responsibility from Washington to states and localities. These moves will have far-reaching implications for private funders.

The policies of the Reagan Administration are creating new relationships between government, nonprofit institutions, corporations, and grantmakers. As a result, the roles and responsibilities of government, the independent sector, and the corporate sector will be analyzed very closely. During the transition period, private philanthropy will have an opportunity to assess its role and assume leadership locally and nationally. The Council on Foundations commissioned this report because of the demand for information about these new directions and their significance for grantmakers and grantseekers.

In this report we have tried to assess the potential impacts of the Federal budget and tax reductions and related initiatives on philanthropy and the nonprofit sector. Because the far-reaching policy changes are only now beginning to be felt, it was not possible to present a definitive account of the funding shifts that are likely to occur. The intention has been to gather data on the types and magnitude of changes, especially as they affect program areas of special interest to private grantmakers.

Reporting on how grantmakers are beginning to respond to these new directions constitutes the latter part of this report. Foundations and corporate donors, as well as government, realize the growing expectations that the private sector will somehow "fill the gap" caused by reductions in government funding. We have examined this idea and its implications. We have described various approaches--individual and collaborative, old and new--by funders that indicate how they are reacting to the cutbacks. Conversations with grantmakers who hold a wide range of philosophical views reveal that, regardless of their individual beliefs about the wisdom of the Administration's program, they generally agree that the current situation presents both unparalleled challenges and opportunities for them.

In an effort to provide additional information, the Appendix to the report includes a listing of special reports and analyses of the Reagan economic policies, as well as representative organizations that are assessing the impacts of possible changes on their program areas.

The Council hopes that this report will promote greater understanding among grantmakers about these changes and stimulate further dialogue between the private sector and government.

THE "PROGRAM FOR ECONOMIC RECOVERY"

In his address to the Congress on February 18, 1981, President Reagan described his Administration's program for achieving "full and vigorous recovery" of the economy of the United States. It consists of four major elements:

- o a budget reform plan to cut the rate of growth in Federal spending;
- o a reduction in Federal tax rates over the next three years;
- o elimination of unwarranted Federal regulations;
- o a slower growth in the money supply, set by the Federal Reserve System.

As described in the address and in the report later submitted to the Congress, America's New Beginning: A Program for Economic Recovery,* the President's economic plan reflects confidence in the private sector as the fundamental source of economic growth. The proposed economic policies represent an attempt to stop inflation and increase U.S. productivity, which has declined in recent years, primarily by restraining the growth of government spending and reducing taxes.

A related feature of the proposals with special significance for the nonprofit sector is the plan to replace Federal education, health, and social services programs with a series of consolidated block grants to be administered by the states. The Administration asserts that block grants would increase flexibility and discretion of the states, promote more efficient and cheaper delivery of services, and improve accountability and accessibility.

Asserting that "a growing economy is the best poverty program we have," the Administration based its proposals on a set of economic ideas that differ markedly from governmental policies of the past two decades. The major cause of our economic problems, according to the Reagan Administration, has been the government's tax, spending, regulatory and monetary policies. The Administration predicts that with its new economic policies inflation can be cut in half by 1986, that reduced tax burdens and increased private saving

*America's New Beginning: A Program for Economic Recovery, Executive Office of the President, U.S. Office of Management and Budget, Washington, D.C., March 10, 1981.

will provide more funds for productive investment, that roughly 13 million new jobs will be created by the growing economy by 1986, and that the economy will grow at a more rapid rate, roughly 4 to 5 percent a year.

o Congressional Action on the President's Proposals

In July 1981, President Reagan achieved a stunning victory when Congress enacted a major part of his "program for economic recovery"--a giant reconciliation package that cuts an estimated $35.1 billion from the Federal budget in Fiscal Year 1982. The legislation would trim $35 billion in FY 1982, $44 billion FY 1983, and $51 billion in FY 1984, for a total savings over three fiscal years of $130 billion. In late summer, however, the Administration urged extensive additional cuts for FY 1982 alone as a result of Federal deficit projections beyond its goal of $42.5 billion.*

Likewise, President Reagan achieved an impressive victory on tax legislation when the House passed HR 4242 on July 29. The House voted 238-195 to adopt provisions of the substitute bill in place of the Ways and Means Committee bill. It has been estimated that the plan, entitled the Economic Recovery Tax Act of 1981, will cut roughly $749 billion from business and individual taxes over the next five years.

* In a televised speech on September 24, President Reagan proposed $13 billion in additional Federal spending cuts, as well as $3 billion in new tax revenues, for FY 1982. Of the cuts he seeks, $8.4 billion would come from a twelve percent across-the-board reduction below his March budget request and would apply to appropriations for all government programs except defense and entitlements.

ADMINISTRATION POLICIES IN AREAS OF INTEREST TO GRANTMAKERS

Since the reductions in Federal spending and taxes passed by Congress closely approximate the President's proposals, it is useful to examine the Administration's requests and accompanying justifications in an effort to understand the probable impacts on grantmaking and nonprofit organizations of the far-reaching changes that are likely to take place in the coming years.

o Reductions in Federal Spending

President Reagan considered his budget reduction plan as the "leading edge" of his economic program. On March 10, 1981, he submitted to Congress his proposed budget reductions.* For FY 1981, which was almost half over, he proposed a FY 1981 budget of $655.2 billion, which is $7.5 billion below that requested by President Carter. For FY 1982, President Reagan proposed a Federal budget of $695.3 billion, a reduction of $44 billion from the Carter proposal.

For the period FY 1981-84, the Reagan proposal included reductions of $256.9 billion from the Carter Administration's proposed outlays for the same period. These cutbacks become much deeper in the later years. Nearly one-half of these cuts ($120 billion) are proposed for FY 1984 alone. In constant

*Although the terms "budget cuts" and "budget reductions" are commonly used, the Administration explained that because of an expanding population, a growing economy, and a difficult international environment, the "badly needed effort to 'cut' the budget really refers to reductions in the amount of increase in spending requested from one year to the next." (A Program for Economic Recovery , March 10, 1981, p.10.)

dollar terms,* the March budget represents essentially a leveling off of Federal outlays at the 1980 levels, with slight declines below that level in 1983 and 1984.

In President Reagan's original budget proposal, the only area slated for an increase was national defense. For FY 1982, the Administration requested spending authority of $225.7 billion, compared to $196.4 billion in the Carter proposal. Although the Reagan proposal was subsequently trimmed slightly by $2 billion--or $13 billion over a 3-year period--the Administration has urged an increase in the military appropriation of almost 7 percent a year for five consecutive years, at an estimated cost of $1.5 trillion.

Several comprehensive analyses of the Reagan Administration's budget have appeared recently. These reports, notably one by Lester M. Salamon of the Urban Institute,** provide information about the estimated revenue loss from the proposed budget reductions to public service areas of special interest to grantmakers and nonprofit organizations.

According to Salamon, the Administration's proposals affecting seven major program areas of special interest to philanthropy call for reductions for

*To arrive at the constant dollar estimates, the Reagan Administration's March estimate of the GNP deflator was used. Note that the cuts proposed in the Reagan budget are measured against the Carter budget and not against the current policy base used by Congress in voting the budget reductions in the reconciliation package.

**Salamon, Lester M., with Abramson, Alan J., The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals, The Urban Institute, Washington, D.C., May 1981. The report was commissioned by three organizations: Independent Sector, the 501(c)(3)Group and the National Association of Fund-Raising Counsel. Other sources include: The National Urban Coalition, the Congressional Budget Office and the Brookings Institution. See Appendix for a listing of reports and analyses of the Reagan budget.

FY 1981-84 in Federal outlays of $128.2 billion below the comparable Carter estimates. In constant dollar terms--using the Reagan economic assumptions--these changes for FY 1981-84 represent a reduction from actual 1980 outlays of $110.4 billion, or 18 percent. The public service areas identified--social welfare, education, health, income assistance, foreign aid, arts, and environment--represent those areas where government involvement affects the demand for private, nonprofit activity.* For these categories, the Reagan budget for FY 1982 includes reductions of $20.4 billion below the January levels, or 46 percent of all budget cuts proposed for that year.

An examination of the proposed budget reductions within each program area, both in dollar terms and percentage terms, reveals the extent of the changes.

Table 1

PROPOSED REDUCTIONS IN FY 1981-84 OUTLAYS FOR SELECTED PUBLIC SERVICES, MARCH VS. JANUARY BUDGETS, BY FUNCTION ($ billions)+

	Proposed Cuts, FY 1981-84		%Change From January Budget, Specified and Unspecified Cuts
	Specified Only	Specified and Unspecified	
Social Welfare	-$31.8	-$44.4	-36.6%
Education	- 24.0	- 34.2	-29.6
Health	- 7.5	- 11.6	- 3.9
Income Assistance	- 22.2	- 31.7	-16.5
Foreign Aid	- 2.5	- 3.4	- 9.5
Arts	- 0.8	- 1.1	-37.0
Environment	- 1.2	- 1.7	-57.5
	-$89.9	-$128.2	-16.7%

+Salamon, op.cit., p.20.

Estimated outlays in terms of Federal support to nonprofit organizations for the FY 1981-84 period are $27.3 billion less than proposed by President Carter. As a result, in constant 1980 dollars nonprofit organizations would

*These program areas, with the exception of religion which is excluded here, also correspond with those identified as the "philanthropic fields of interest" by the Commission on Private Philanthropy and Public Needs (the Filer Commission), in its Research Papers, Vol. I (Washington, D.C.: Department of the Treasury), 1977.

actually receive $4.8 billion less in FY 1982 than they did in 1980, and over the four-year period, $25.4 billion, or 16.2 percent, less. The projected reductions are particularly extensive in the social welfare and education areas. For FY 1981-84, for example, social welfare organizations could lose as much as $18 billion, or more than 50 percent, and education programs could lose $5 billion, or 18 percent, of the revenues they would have received under the Carter budget proposals. Although the dollar amounts are considerably smaller, arts and cultural organizations stand to lose 48 percent or more under the Reagan budget, which also projects reductions in revenues to environmental and conservation groups at 75 percent, compared to the Carter estimates.

Another way of examining the proposed cuts is to compare the effects on the overall public service areas listed above with the impact on nonprofit organizations within each sector. As the following table indicates, for five of the seven selected areas, the proportionate loss in funding to nonprofit organizations within each sector is greater than that in each of the corresponding public service areas in general.

Table 2

COMPARISON OF PERCENT REDUCTIONS IN PROPOSED OUTLAYS FOR SELECTED PUBLIC SERVICES AND PROPOSED OUTLAYS FOR NONPROFIT ORGANIZATIONS, REAGAN AND CARTER'S BUDGETS, FY 1981-84, BY FUNCTION+

	Percent Change from January Budget, 1981-84 ++	
Selected Programs		Nonprofit Share
Social Welfare	-36.6%	-50.3%
Education	-29.6%	-18.4%
Health	- 3.9%	- 2.2%
Income Assistance	-16.5%	-17.4%
International	- 9.5%	-19.7%
Arts	-37.0%	-47.9%
Conservation	-57.5%	-75.0%

+Salamon, op.cit., p.44.

++Includes pro rata portion of unspecified cuts in FY 1983 and FY 1984.

Related Policy Changes

Before discussing the ways in which grantmakers and grantseekers are responding to these budget changes, it may be useful to complete the picture of the Administration's policies that directly affect the nonprofit sector. These other policy changes include the block grants, tax, and deregulation, as well as the intention of the Administration to eliminate or substantially alter agencies and programs of special interest to the nonprofit world.

Block Grant Proposals

To help achieve its budget reductions, the Administration proposed to shift responsibility for existing categorical programs from the Federal Government to the states. The Administration initially proposed seven block grants designed to consolidate programs and reduce Federal involvement in the area of social services, health, education, and energy and emergency assistance. As President Reagan told the National Association of Counties in March:

> I have a dream of my own. I think block grants are only the intermediate steps. I dream of the day when the Federal Government can substitute for those the turning back to local and state governments of the tax sources we ourselves have preempted here at the Federal level so that you would have those tax sources.

Moreover, White House Assistant Robert Carlson told the National Health Policy Forum that block grants are a step toward total withdrawal of the Federal Government from education, health and social service programs that the Administration believes are properly the responsibility of state and local governments.* A task force has been designated to recommend transfer of

*An indication of the seriousness of the Administration's intentions in this regard is the August 13, 1981, report that it is considering a plan to convert Aid for Families with Dependent Children (AFDC), the country's largest cash welfare program, into block grants to the states, possibly next year.

program responsibility and "revenue sources" to support it, according to Treasury Secretary Donald Regan.

The Administration's intention to shift responsibility from the Federal Government, combined with a sharp decline in support for human services and nonprofit organizations, has far-reaching implications for grantmakers. Because of the budget reductions and the enactment of some of the block grant legislation, demands for funding from private sources will probably be even greater than initially estimated, and grantmakers will need to understand the impact of the cuts and the block grant provisions on each program area in order to better target their limited resources. Although Congress passed only a part of the block grant legislation this year, the Administration strongly supports this concept. Thus, it is virtually certain that block grant legislation will be reintroduced in coming years.*

Congressional action on block grants

The President's proposal to consolidate more than 90 categorical programs into seven block grants to the states fared relatively poorly in the budget bill. Although Congress generally accepted the 25 percent cuts in programs slated for block grants even when it refused to grant the added flexibility to the states, a significant number of the programs proposed for block grants remain under Federal control.

In brief, Congress dropped three of the proposed block grants from the reconciliation package. In rejecting the proposed social services block

*Several comprehensive analyses of the block grant legislation have been written. These include A Citizen's Guide to Changes in Human Services Programs, edited by Jule Sugarman. See Appendix for a listing of this and other reports about the anticipated impacts of the new economic policies.

grant, Congress refused to include the Community Services Administration, legal services, child welfare, and foster care and adoption programs, as the Administration had requested. Congress also dropped the proposed block grants for community development and low-income energy and emergency welfare assistance.

Of the proposed education block grants, Congress consolidated some 33 small elementary and secondary programs into a $589 million block grant in FY 1983 and 1984, although with some strings attached. Not included were the major Title I programs for disadvantaged children (FY 1980 budget: $2.6 billion) and the program of aid to the handicapped (FY 1980 budget: $900 Million), nor the bilingual education, adult education, and the Women's Educational Equity Act programs. The Community Services Administration will be terminated on October 1, 1981 and will be replaced by a $389.4 million community services block grant for FY 1982-86, which represents a 37 percent decrease from current funding levels.

The conference on health block grants, which Labor Committee chairman Orrin G. Hatch, Utah Republican, termed "the toughest reconciliation conference of all," reached agreement over $860 million in four block grants. However, 10 programs of roughly 30 were retained as separate categorical programs, including the controversial family planning program (authorized at $428 million for FY 1982-84), as well as childhood immunization, tuberculosis, and veneral disease. $491 million in FY 1982 was authorized for the largest of the four block grants, the health services block grant, which includes community mental health centers and alcohol and drug abuse programs. Many smaller programs were consolidated in the block grant for preventive health services, authorized at $92 million in FY 1982. Included are programs dealing

with home health care, emergency medical services, hypertension, rodent control, etc. Congress approved a third block grant containing only one program, community health centers (FY 1982 funding: $280 million), with the states gradually taking over their operation. The fourth health block grant, covering seven maternal and child health programs, was funded at $373 million a year for FY 1982 through 1984.

Elimination of Agencies

The Reagan Administration proposed to terminate or significantly curtail the activities and budgets of a large number of Federal agencies and programs that provide technical assistance and advocacy primarily for the disadvantaged. They have played an important role in institution-building in the nonprofit sector.*

Although Congress refused to go along with the Administration in eliminating some of the agencies and programs, in most cases where the programs survived, their budgets were sustantially reduced. The major programs the Administration proposed for termination, their budgets, and Congressional action on the Administration's requests, are:

- Community Services Administration:

  Coordinates programs that help low-income people at the local level identify their needs and resources; administers local programs and coordinates delivery of services.

  FY 1981 budget: $536 million
  Congressional action: $389 million community services block grant for FY 1982 through FY 1986, with $35 million retained for limited discretionary purposes. The agency will be abolished October 1, 1981.

*See Appendix for a listing of programs of interest to nonprofit organizations which the Administration targeted for termination.

- Consumer Product Safety Commission:

Identifies unreasonable hazards associated with consumer products and seeks to control them through education of consumers, obtaining voluntary changes in production by manufacturers, or, when necessary, through promulgation and enforcement of rules regulating or banning hazardous products.

FY 1981 budget: $44 million
Congressional action: $33 million authorized for FY 1982, and $35 million for FY 1983, but no funding for FY 1984.

- Economic Development Administration:

Provides grants, loans, and loan guarantees to assist economically distressed areas deal with problems of economic adjustment.

FY 1981 budget: $711 million
Congressional action: $290 million for FY 1982, but no funds voted for future years.

- Legal Services Corporation:

Provides funding to legal services programs for representation of the poor in noncriminal cases. The corporation currently makes grants to over 320 programs, which operate some 1,400 offices across the country.

FY 1981 budget: $321 million
Congressional action: Funding not included in budget bill; is being considered in the regular authorization procedure. House bill authorizes $241 million each for FY 1982 and 1983, and pending in the Senate is a bill authorizing $100 million in each of the next three years.

- National Consumer Cooperative Bank:

Provides financing for creditworthy consumer cooperative organizations, "soft" loans to potentially viable cooperatives whose members are predominantly low-income persons.

FY budget: $122 million
Congressional action: The bank will have to become a private financial institution, probably by December 31, 1981, under an agreement reached by the conferees who voted $47 million in FY 1982 in market-rate loans and $14 million in low-interest loans. The House and Senate appropriations committees voted $52 million for FY 1982.

- o Office of Juvenile Justice and Delinquency Prevention:

  Provides formula and discretionary grants to state and local governments and to private, nonprofit corporations for the prevention of delinquency and meeting the needs of the serious and violent offender.

  FY 1981 budget: $103 million
  Congressional action: $77 million in FY 1982, $77.5 million in FY 1983, and $75 million in FY 1984.

- o Office of Neighborhood Self-Help Development:

  Provides discretionary grants and technical assistance to neighborhood organizations to undertake specific neighborhood preservation and revitalization activities in lower-income areas.

  FY 1981 budget: $9 million
  Congressional action: Funding terminated.

- o VISTA:

  Volunteers work on variety of community projects designed to help local organizations work with problems associated with poverty.

  FY 1981 budget: $42.8 million
  Congressional action: $25.8 million for FY 1982, $15.4 million for FY 1983, but no funds voted for FY 1984.

o Initiatives to Reduce Regulations

Another major element of the Administration's program aims to reduce Federal regulations and paperwork. The Administration ordered a 60-day postponement of all pending regulations and created a Presidential Task Force on Regulatory Relief, chaired by Vice President George Bush, to establish central oversight for all major proposals and existing regulations.

The areas in which deemphasis on regulation are of concern to grantmakers include civil rights, particularly in the employment area, and environmental protection. Administration officials and supporters of its position emphasize the need to curb the costs associated with unnecessary regulations.

The Administration estimates that the costs of compliance add $100 billion per year to the costs of goods and services we buy.* Critics respond that regulations that enforce legislation in the area of civil rights, for example, also have benefits which, while not quantifiable, must not be overlooked. Recently, the Department of Justice indicated that it would ease enforcement of school desegregation and other civil rights statutes. In a speech in June, Attorney General William French Smith signaled this major change in emphasis, saying that the Reagan Administration would forsake mandatory busing and racial quotas as remedies.**

In the environmental protection area, the Administration has stated unequivocally its intention to decrease the number and scope of regulations. The new priorities of Interior Secretary James Watt for his department have been widely reported; he plays a key role in overseeing policy development in the Environmental Protection Agency as well. At the Environmental Protection Agency, the the Administration has proposed reductions in all agency regulatory programs and plans to reduce funding for promulgating new regulations.

o Tax Reductions: An Overview

Congress adopted new tax policies in accordance with White House proposals to reduce individual and corporate taxes, and went substantially beyond what the Administration had proposed for the first phase in some areas, approving steeper tax cuts, especially for corporations. Analysts estimate that this sweeping measure, the Economic Recovery Tax Act of 1981 (HR 4242), will reduce taxes by almost $749 billion between FY 1981 and FY 1986. Although the law directly affects charitable organizations only to a limited extent, it

* A Program for Economic Recovery, op.cit., p. 18.

** Washington Post, June 4, 1981, p.1.

contains several provisions with long-range implications for grantmakers and grantees.*

There is considerable concern about the effect of the tax act, especially on contributions by individuals. Brian O'Connell, president of Independent Sector, says it will have "an unintended but unfortunate impact on the charitable sector that is decidedly negative." In particular, although lowering taxes may make available more money for contributions, reducing the maximum marginal tax rate for individuals on unearned income from 70 to 50 percent will increase the "price of giving," (i.e., net cost after tax savings). Reducing the maximum capital gain rate from 28 to 20 percent and lowering the marginal tax rate for all taxpayers are likely to have similar effects. Upper-income donors will thus have less incentive for charitable giving under the tax law because with the new lower tax rates, the real price of giving will increase considerably. "We're really going to put a lot of pressure on charitable institutions by cutting tax rates," concedes Norman Turé, Treasury undersecretary for tax policy.

A recent study commissioned by Independent Sector reports that charitable giving by individuals is likely to be $18.3 billion less than under present law over the next four years as a result of the tax act.** The authors of the study, Charles T. Clotfelter and Lester M. Salamon, estimate that 75 percent

*Charles T. Clotfelter and Lester M. Salamon, "The Federal Government and the Nonprofit Sector: The Impact of the 1981 Tax Act on Individual Charitable Giving," The Urban Institute, Washington, D.C., August 1981. Their analysis does not take into account the potential impact of the tax act on giving by foundations, corporations, or the effect that lower estate taxes will have.

*For an analysis of the impact of the law on charitable contributions, see Thomas A. Troyer and Robert A. Boisture, "Tax Bill Reduces Incentives for Charitable Giving," Legal Times of Washington, September 21, 1981.

The authors of the study, Charles T. Clotfelter and Lester M. Salamon, estimate that 75 percent of this loss will be associated with the 15 percent of all taxpayers considered "upper-income" and who made 44 percent of all individual charitable contributions in 1978. As a result, educational, medical, and cultural institutions, which receive a larger proportion of their support from wealthier taxpayers, will bear the greatest share of these reductions.

The impact of other changes in the tax act are considerably more difficult to assess. However, changes in the estate and gift tax rules appear likely to create disincentives for giving to nonprofit organizations, as well as for forming new foundations or making substantial contributions to existing ones. Specifically, the new tax act substantially increases estate and gift tax exemptions and reduces tax rates beginning in 1982. By 1985, the maximum estate tax rate will be lowered in annual steps from 70 to 50 percent. Beginning January 1, 1982, the estate tax marital deduction will be increased from 50 percent of an estate to an unlimited deduction. Likewise, beginning in 1982, donors may exclude from taxation gifts of up to $10,000 per donee, as compared with $3,000 at present. In addition, by 1987, transfers of $600,000 or less will not be taxed, as compared with approximately $175,000 at present. In assessing the overall impact of these and related changes in the estate and gift tax rules, other factors, notably other kinds of incentives, as well as lower taxes, which may make more money available for charitable giving, must not be overlooked.

Other changes in the tax act will possibly redress at least some of these potential losses that directly affect grantmaking and charitable organizations. The provision to allow taxpayers who do not itemize their deductions

to nevertheless deduct charitable contributions is viewed as a comparatively small but important means to right the likely imbalance from some of the budget and tax reductions. This provision permits only a $25 deduction in 1982, but it eventually increases to the full amount contributed by 1986. The legislation, which expires after 1986, is unlikely to stimulate significant benefits for donees in the short run; however, advocates note its importance in establishing the principle of "above-the-line" charitable contributions deductions. Analysts estimate that the charitable contributions legislation will substantially increase giving by lower- to middle-income taxpayers and that the principal beneficiaries will be religious organizations and broad-based public charities such as the United Way and the Red Cross.*

The provision in the tax bill of direct interest to foundations is the modification of the annual payout requirements for private, non-operating foundations. This measure requires that beginning in 1982 foundations distribute annually an amount equal to five percent of their investment assets. This provision replaces the requirement that they pay out their total annual investment income if it exceeds five percent of their assets. This change and a comparable one for private operating foundations were actively supported by the Council on Foundations. Although some observers see the change in the payout requirements as possibly diminishing foundation giving in the short run, most view it as a way to stimulate increased long-term giving by foundations.

Finally, some of the provisions of the tax act are likely to discourage charitable contributions by corporations, while others may have the opposite

*Clotfelder and Salamon, op. cit., p. 23.

effect. The accelerated depreciation laws may have the effect of reducing taxable income and lowering corporate tax rates, and thus possibly acting as a disincentive for additional giving. However, the act also includes a provision to increase from 5 to 10 percent the maximum amount of taxable income that corporations can deduct for charitable contributions. Some see this measure as possibly stimulating corporations to increase their levels of support, although to date only a very limited number of corporations have given as much as 5 percent on a regular basis. The act also encourages corporate giving by providing tax credits for certain research expenditures and deductions for contributions of certain equipment donated to a university for research purposes.

It is important to acknowledge that the predictions about the effects of the Economic Recovery Tax Act of 1981 are only estimates. Close monitoring of the actual effects of this new law in the years ahead will be of vital interest to grantmakers and grantees.*

* Some organizations that provide information and analysis of tax issues of interest to nonprofit organizations are Tax Analysts, National Committee for Responsive Philanthropy, Tax Reform Research Group, Citizens for Tax Justice, Brookings Institution, Heritage Foundation, the Tax Foundation, and the Urban Institute.

CHAPTER II: THE REAGAN BUDGET: A CLOSER LOOK

OVERVIEW

A great deal has been said and written about the reduction in Federal spending for social programs. One distinction between the types of programs being cut was recently made by Office of Management and Budget Director David Stockman, who said that it takes "two kinds of statutory bullets" to cut spending: "regular" and "silver." What he calls "regular bullets" are the reductions in budgetary authorizations and appropriations approved annually by Congress. The "silver bullets" refer to spending that is generated by the formulas for such programs as Food Stamps, Medicaid, Social Security, and Aid for Families with Dependent Children, which are not dependent on annual appropriations. The cuts in these "automatic" spending, or entitlement, programs approved by Congress will have a much greater impact on spending in years ahead than in the immediate future. The Administration has acknowledged that it would be virtually impossible to achieve its goal of a balanced budget by 1984 without trimming these programs.

o Entitlements

This question of entitlement is central to the Reagan Administration's political philosophy. As Stockman said in a television interview in April:

> I don't believe that there is any entitlement, any basic right to legal services or any other kinds of services. And the idea that's been established over the last 10 years that almost every service that someone might need in life ought to be provided, financed by government as a matter of basic right, is wrong. We challenge that. We reject that notion.*

*"Issues & Answers," ABC News, March 22, 1981.

o Social Safety Net

Set forth below are the 1981 budgets for Federal funding of the seven programs which, the Administration says, constitute a "safety net" for the needy. These programs, which amount to about one-third of the total proposed Federal budget submitted to Congress on March 10, include:

- o Old age and survivors' insurance (the core Social Security program), $119 billion.
- o Medicare health insurance for the elderly, $44.9 billion.
- o Veterans' pension and compensation benefits, $13.3 billion.
- o Supplemental Security Income (SSI) for the aged, blind, and disabled, $7.3 billion.
- o Head Start preschool program, $1.1 billion.
- o Summer jobs for disadvantaged youth, $800 million.
- o Free school lunches and breakfasts, $2.3 billion.

The first three programs listed, which make up more than 90 percent of the spending for all seven programs, do form a safety net protecting large numbers of people from destitution. However, they are primarily for the elderly, not the poor. According to Bob Greenstein, director of the Project on Food Assistance and Poverty, 85 percent of the 31.3 million recipients of Social Security, of the 28 million recipients of Medicare, and of the 4.6 million recipients of veterans' pensions and compensation have incomes above the poverty level. He estimates that 16 million poor people--or 68 percent of America's estimated 25 million poor (the Census Bureau's count)-- either received no help at all from any of these seven programs or received only a free school meal.*

Since the initial budget revisions were announced in March, some of these safety net programs, notably Social Security, Medicare, and the school lunch program were nevertheless trimmed. Two months after submitting its revised budget plan, the Administration notified Congress it would propose Social Security benefit reductions. These changes, announced on May 12, aroused

* Congressional Quarterly, April 18, 1981, p. 665.

strong protests. Subsequently, the plan to defer some benefits and trim others for early retirees, and to adjust cost-of-living increases was unanimously defeated in the Senate. In his September 24 speech, President Reagan stated that a bipartisan commission would review and propose changes for the Social Security Program. At the same time, the White House announced that it would seek further cuts in all entitlement programs, including those in the "safety net."

o Impact of the Budget Cuts on the Poor

The overall effect of the budget cuts signals a dramatic retrenchment of government involvement in social programs. The budget cuts will have the greatest impact on the poor and near poor. Analyses by the Congressional Budget Office indicate that as a result of President Reagan's proposed reductions in four programs--welfare, public service employment, food stamps and the school lunch program--incomes would be reduced for at least 20 to 25 million people, most of whom live below the poverty line.* CBO said that these figures "considerably understate" the real impact of the Reagan budget, because they do not consider reductions in such programs as Medicaid, Social Security, fuel aid, and other programs for the needy. According to the CBO study, the income tax cuts would produce no benefit for this group since they would receive less than one-half of one percent of the total tax cut for individuals.**

Moveover, according to studies conducted by the Center for the Study of Welfare Policy headed by Tom Joe, high-ranking HEW official during the

*The official poverty line is currently defined as cash income up to $8,410 for a family of four.

**Congressional Budget Office, "An Analysis of President Reagan's Budget Revisions for Fiscal Year 1982," March 1981.

Nixon Administration, the combined effects of cuts in several programs on a typical welfare family will be extremely harsh. Such losses are likely to be even greater in high benefit states like New York, where, for example, a working mother of two would lose 25 percent of her income, as her income would fall from $704 a month to $533 after four months.* And in some states, working welfare recipients could lose eligibility for Medicaid.

IMPACT OF BUDGET REDUCTIONS IN AREAS OF INTEREST TO GRANTMAKERS

The domestic spending reductions affect almost all areas grantmakers have supported in recent years, from the arts to health and social welfare programs.

The budget cuts vary widely among functional areas, in both absolute and relative size, with the social welfare area receiving the largest reductions in absolute terms, and environmental protection the largest in relative terms, although one of the smallest in dollar reductions.** A description of the major functional areas and the likely impacts of some of the budget changes follow.***

*Center for the Study of Welfare Policy, "The Poor: Profiles of Families in Poverty," by Tom Joe et al., March 27, 1981.

**Salamon, op.cit, p.19.

***Unless otherwise indicated, the budget reductions cited are those proposed by the Administration. Also, we have not considered the potential impact of the President's September 24th announcement that he would immediately seek an additional 12 percent reduction in the FY 1982 appropriations of all government programs except defense and entitlements. Because he intends to base the 12 percent reduction on the levels requested in March, which in many cases were lower than those Congress subsequently approved, the new cuts proposed are actually deeper than 12 percent for some programs.

o Social Welfare

The social welfare area includes three principal types of programs:

Social Services (comprised primarily of the Title XX social services grant program, child welfare, elderly services, criminal justice assistance);

Employment and training (including the general training, public service employment, and youth employment; and

Community development (including the community development block grant program, rural development assistance, housing rehabilitation loans, regional commissions, etc.).

The Administration's proposed cuts in Federal funding for social welfare, which are here considered separately from income assistance programs such as food stamps and AFDC, are estimated at $44.4 billion for FY 1981-84, a decline of 36 percent in comparison to the Carter proposals. Moreover, these cuts are extensive and escalate steeply each year (from $1 billion in FY 1981 to $18.9 billion in FY 1984). Expressed in constant dollars, the Reagan budget proposed a 20 percent reduction in social welfare spending below the 1980 actual level in the first year of the budget program. By 1984, this figure would grow to almost 64 percent.

There are several major agencies and programs in the social welfare area that the Administration targeted for elimination or significant reductions. These include: CETA, Title II-D, which addresses structural unemployment, and Title VI, public service employment program; the Legal Services Corporation; the Community Services Administration; the Economic Development Administration; and the housing rehabilitation loan program. In the cases where Congress reauthorized the programs, it did so at substantially reduced funding levels and usually only for one or two years.

CETA

The Administration proposed and Congress approved major cuts in the programs under the Comprehensive Employment and Training Act (CETA). Congress voted to terminate the CETA public service employment program, as requested by the President, thus reducing spending for FY 1982 by $3.8 billion. Spending for other CETA programs, including training, Job Corps, and summer jobs for youth, was cut 20 percent, and the $200 million funding for the Young Adult Conservation Corps was eliminated entirely.

The impact of the CETA public service employment (PSE) cuts has already begun to be felt, since a reduction of $840 million was included in the recissions in the FY 1981 budget. It is estimated that approximately 350,000 jobs and about 25 percent of CETA training positions will have been eliminated by September. The cuts also greatly affect city and county governments, which utilize PSE workers to provide some public services. By June, it was reported that 3,000 CETA employees in Baltimore had lost their jobs. Moreover, a study conducted by the Urban Regional Research Center of Princeton University points out that by the end of 1979, 31 percent of the program's workers were employed by nonprofit organizations, and the percentage has increased since then. Many private, nonprofit organizations, which often have relied on CETA employees, report that they have had to curtail their services, sometimes drastically.

Among the anticipated effects of the elimination of the CETA public service employment program is the increased burden on states of additional unemployment compensation claims and a heightening of competition for entry-level positions in unskilled work. Moreover, the Congressional Budget Office estimates that although the Administration plans to save nearly $4 billion in FY 1982 through the elimination of CETA/PSE alone, the actual amount saved would

be reduced by 15 to 25 percent because of offsetting increases in other federal programs, such as welfare, food stamps, and unemployment compensation.

Approximately 100,000 unskilled, undereducated women hold CETA jobs slated to be eliminated. The Youth Employment and Training Program (1981 budget: $750 million), serving 220,000 young people, was trimmed. The Administration also proposed termination of the CETA Title IV(A) Program, which last year provided jobs and training for over 500,000 young people. In all, it is estimated that 41 percent of PSE workers are under 22 years of age.

The Administration anticipates that 3 million new jobs will be created by 1986 as a result of its economic policies, in addition to the 10 million new jobs expected to be created without any changes in policies. Spokesman for the Administration have indicated that businesses will be encouraged to make greater efforts to employ persons previously in the CETA programs. Moreover, the Business Roundtable called on American businesses to "make an effort to maintain support of their most important philanthropic programs even during economic down turns."

Legal Services Corporation

Another major program the Reagan Administration is anxious to dismantle is the independent Legal Services Corporation, a private, nonprofit organization formed in 1974 to provide financial support for legal representation for the poor in noncriminal cases. In 1980, corporation funds supplied roughly 85 percent of the total amount spent for civil legal services for the poor. The remaining 15 percent was provided by private attorneys, foundations, government programs, and others.

The Administration's opposition stems largely from the fact that the federal government, as well as states and localities, are often the target of class action lawsuits by legal services attorneys. However, the Corporation states that less than two-tenths of one percent of the cases concern such activities.

Although Congress refused to fold the functions of the corporation into the multipurpose social services block grant, both the House and Senate voted to reduce its budget and to curtail sharply the activity of legal aid lawyers, including further restrictions on legislative activity and class action suits. While congressional action is still incomplete, it is virtually certain that funding for the Legal Services Corporation and the range of cases its lawyers can handle will be limited.

The budget bill approved by Congress omitted funding for the Legal Services Corporation. Earlier, the House had authorized $241 million for each of the next two fiscal years, and pending in the Senate is a bill authorizing $100 million for each of the next three fiscal years. Funding for the Legal Services Corporation is currently being considered in the regular FY 1982 authorization and appropriations process. At the American Bar Association meeting in August, Presidential adviser Edwin Meese indicated that he would continue to recommend to President Reagan that he veto the legislation. This may prove difficult, however, because LSC funding is in the same bill as the appropriations for the Departments of State, Justice, and Commerce.

o Education and Research

For the areas of elementary and secondary education and higher education and research, the Reagan budget proposed cutbacks of almost $34 billion, or 30

percent below the levels proposed by President Carter, for FY 1981-84.* By FY 1984, spending would fall to 53 percent below the 1980 level, in constant dollar terms.

Major reductions requested by the Administration and approved by Congress include a phasing out of the Social Security student benefit, which would mean a $4.2 billion reduction over the 1981-84 period, and cutting substantially student financial aid at the higher education level. Moreover, there are also deep cuts in research and development spending by the National Science Foundation, the National Oceanic and Atmospheric Administration, the Environmental Protection Agency, and the Departments of Labor and Energy. Much of these funds are channeled through universities. For higher education programs in FY 1981, the Reagan Administration proposed cuts of more than $50 million, in addition to the reductions in Federal student aid programs.

The total amount of private giving to higher education in 1980 was approximately $4 billion, an increase of $570 million, or 18 percent, over 1979.** Although contributions to higher education have been growing in recent years, education officials assert that this will not begin to fill the gap that would be left when the budget cuts, as well as changes in the tax laws, are enacted.

The cuts in the financial aid for postsecondary students are likely to have a severe impact on the number and diversity of students. Congress imposed restrictions on the Guaranteed Student Loan Program, including mandating a "needs test" for college loans to students from families earning more than

*The figures for research exclude corporate and military research and development funds.

**Council for Financial Aid to Education, as reported in Higher Education Daily, May 19, 1981.

$30,000 a year, beginning October 1. While a reported 3.6 million students have rushed to obtain loans before the new fiscal year begins, the Congressional Budget Office estimates that as many as 1 million previously qualified students are likely to be ineligible for the loan over the next three years.

The reconciliation bill also placed a cap of $2.5 billion for FY 1982 on the Pell Grant program for financially needy undergraduates. It is slated to decrease to $2.4 billion for FY 1983 and $2 billion in FY 1984. Reductions in the size of the grant awards and in computing eligibility changes, as well as rapidly escalating tuition costs, will force low-income students to borrow more heavily to attend college. In addition, because the Social Security benefit payments to students are slated to be phased out, there will be increased pressures on the Pell Grant and Guaranteed Student Loan programs.

President Reagan aims to reduce the role of the Federal government in public education, restoring more authority to states and localities. This view was exemplified in his proposed education block grants, which included a 25 percent, or $1 billion, cut in Federal aid for elementary and secondary education. Congress rejected the President's proposals to consolidate into block grants the major Federal programs for compensatory education and for the handicapped, but it did approve consolidation of a wide array of smaller categorical programs.

Congress voted for substantial cuts in Federal aid to elementary and secondary education, but not the same ones recommended by the Administration. For example, for impact aid for school districts that educate children whose parents work for the Federal government, Congress voted to cut more than

$400 million from the roughly $837 million that had been proposed for FY 1982, limiting funding primarily to districts serving military families. Assistance for school districts serving children of nonmilitary government workers not living on government property will be phased out over three years.

Among the casualties of the House vote on the massive budget bill was the entire budget of the National Science Foundation, as well as the research budgets of the Environmental Protection Agency, National Oceanic and Atmospheric Administration, and the Federal Emergency Management Agency. The science budgets are slated to be introduced under a separate authorization measure, which makes them far more vulnerable to changes and substantial cuts.

o Health

Last year, health care costs consumed 9.2 percent of the gross national product, or more than $212 billion. Medicaid and Medicare, the two giant health finance programs, are largely responsible for the rapid growth in health outlays. Both are entitlement programs, with Medicare providing benefits to almost all persons aged 65 or over. Under current law, these two programs would cost $65 billion in FY 1982, out of a total of $75 billion for all Federal health programs.* Of this, $47 billion would be for Medicare, and $18 billion for Medicaid, which would be matched by $14 billion in state spending.

Congress rejected the Administration's efforts to place a 5 percent "cap" on Federal reimbursements to the states for Medicaid, which would have saved an estimated $1 billion out of the FY 1982 outlays estimated in the Carter budget.

*This figure excludes $20 billion in health-related outlays, mostly for medical care for veterans and the military.

President Reagan's proposal would have cut $8.5 billion from projected Federal Medicaid expenditures of $80 billion over the four-year period. Nevertheless, the House and Senate conferees did agree to annual cuts of approximately $1 billion in the health care program for the poor.

According to Congressional Budget Office estimates, 12 million poor people are not covered by Medicaid. Moreover, the governors strongly opposed the proposed imposition of a cap on Federal contributions to the states that would, they contend, force the states to limit eligibility and reduce or eliminate most optional services, such as children's dental care, prenatal care, and drug abuse services.

Medicare, on the other hand, pays benefits to almost all the aged, a considerable number of whom are not poor. Since it was one of the programs included in the the President's safety net, the Administration initially proposed few cuts in this program. However, both House and Senate approved cuts in Medicare of more than $1 billion, mostly by raising the deductible and changing the government's methods and rates of reimbursement.

The remaining health care services programs are likely to experience substantial cuts over the next few years. This area consists of programs in the Public Health Service, which includes the Health Services Administration, the Alcohol, Drug Abuse and Mental Health Administration, National Institutes of Health, and the Center for Disease Control, among others. The Administration proposed an overall reduction for this area of nearly 30 percent for FY 1981-84 totalling $4.4 billion. In FY 1983 and 1984, moreover, the outlays for health care services are projected to fall more than 40 percent below actual 1980 levels.

The Administration urged Congress to consolidate 25 health services programs into two major block grants, each with funding reduced by 25 percent below the FY 1981 level. Neither the House nor the Senate accepted these sweeping block grants. Instead, Congress consolidated 19 of the 25 programs into 4 limited block grants, with funding at $1.2 billion, of the $1.8 billion authorized for all health programs in FY 1982.

In addition, Federal funding for several health programs would be eliminated altogether under the President's proposal. These include: maternal and child health research and training; nursing fellowships and research grants; health professions and schools start-up, and health maintenance organizations; health planning; emergency medical training, mental health research training; and closing the eight hospitals and 29 clinics of the Public Health Service.*

o Income Assistance

As shown in the table on the following page, the Reagan budget proposed outlays for income assistance that are $5.1 billion less for FY 1982 and $31.7 billion less for FY 1981-84 than the Carter Administration plan. The principal reductions are for food assistance, with eligibility restrictions proposed for both food stamps and child nutrition programs.** Other major changes advocated by the Administration and passed by Congress are limiting eligibility for AFDC and reducing drastically the number of new subsidized housing units, from 260,000 recommended by President Carter to 175,000.

*See Appendix for a listing of programs proposed for elimination.

**Only needs-tested programs are considered here. While the Administration did proposed changes in the social insurance programs (notably social security and unemployment compensation) as well, they are less directly related to the activities of nonprofit organizations.

Congress also adopted the Administration's proposal to reduce domestic refugee assistance to make benefits levels comparable to other assistance programs. In addition, Congress further limited eligibility for AFDC recipients, imposed stronger work requirements for welfare beneficiaries.

Table 3

PROPOSED REDUCTION INCOME ASSISTANCE OUTLAYS,
MARCH VS. JANUARY BUDGETS, FY 1981-84,
BY YEAR, BY SUBFUNCTION

($ billions)+

	Proposed Cuts				Total 1981-82	
	1981	1982	1983	1984	Amount	% Change
Cash Assistance++	--	-$0.8	-$2.8	-$3.0	-$ 6.6	- 9.3%
Housing Assistance	--	- 0.2	- 0.6	- 1.8	- 2.8	- 7.4
Food Assistance	-0.1	- 3.5	- 7.1	- 9.5	- 20.3	- 27.7
Other (refugee, etc.)	--	- 0.5	- 0.8	- 0.8	- 2.1	- 18.6
Total Income Assistance	-$0.2%	-$5.1	-$11.3	-$15.1	-$31.7	-16.5%
%Change in relation to January Budget	- 0.4%	-11.2%	$22.2%	-28.2%	-16.5%	

+ Salamon, op. cit., p. 30.
++ Includes Aid to Families with Dependent Children, Supplemental Security Income, and Earned Income Tax Credit.

Congress adopted most of the cuts proposed by the Adminstration in the food stamp program, which is the largest Federal assistance program, costing $12.6 billion this year. For next year, Congress cut $1.66 billion, which will mean that 1 million persons will be dropped from the rolls in FY 1982 and benefits will be reduced for 21 million others.

In spite of additional programmatic restrictions designed to reduce costs, congressional budget analysts calculate that cuts in welfare, unemployment compensation, and CETA employment and training will mean between $400 million and $600 million in new food stamp costs next year. Although the Administration has been guarded in its estimates of probable new obligations for the program, early Department of Agriculture estimates suggested that the nutrition program could be hit by at least $1 billion in additional costs as a result of the Administration's overall austerity program.*

In addition to food stamps, the child nutrition programs currently funded at $4.4 billion will be cut by about $1.5 billion by reducing subsidies for school meals, tightening eligibility for free or reduced-price meals, curtailing breakfast and day-care feeding, and reducing the Women, Infants and Children (WIC) special supplemental food program.

o Environment and Conservation

The President's budget for environmental conservation and recreation programs would greatly reduce the Federal role in protecting the environment, with state and local governments assuming more of the responsibility and costs.

Some recreation funds programs, in the area of environmental conservation and recreation, are of special interest to private funders. These include urban parks and historic preservation, the youth conservation corps, and land and water conservation grants, all administered by the Department of the Interior in order to acquire, improve, and preserve recreational resources. The

*Ward Sinclair, "New Budget Woes Threaten Future of Food Stamps," The Washington Post, July 6, 1981.

proposed changes would terminate these three grant programs, principally by recission of $250 million in 1981 and withdrawal of the budget request for 1982. The Administration proposed in these programs cuts of $1.8 billion over the FY 1981-84 period, compared to actual 1980 outlays of $700 million.

o Arts and Culture

In the arts and culture area, which includes the National Endowments for the Arts and Humanities, and the Corporation for Public Broadcasting, the Administration proposed cuts for FY 1982 of 26.7 percent below the Carter budget, and cuts of $1 billion for FY 1981-84.

The cutbacks reverse the growth in government support that began with the establishment of the endowments in the mid-1960s to channel Federal funds to arts, humanities, and cultural organizations. Current funding of the National Endowment for the Arts is more than $158 million; by contrast, the Administration submitted to Congress a revised budget request of $88 million for FY 1982. In the reconciliation bill, Congress set funding for the NEA at $119 million, and the NEH at $114 for FY 1982-84, somewhat more than the President had proposed, but nevertheless a significant decrease.

One aspect of the NEA program of special interest to philanthropic organizations and individual contributors is the challenge grant effort. This program established to stimulate private giving, received $26.9 million in FY 1980, $13.5 million in FY 1981, but the Administration proposed to cut its 1982 appropriation to $2.5 million. The requirement that an organization receiving a challenge grant must receive three dollars of new or increased giving for each Federal dollar has generated about $500 million in new funds to American arts organizations with a Federal contribution of less than $95 million.

The deep cuts in funding for artistic and cultural projects upset many in the arts community, who object strongly to OMB Director Stockman's assertion that the arts are a "low priority" and should therefore bear "the greater burden if fiscal restraint is to be achieved in a balanced and compassionate way."

The rationale advanced by the Administration for such sharp cutbacks in Federal funding is that "reductions of this magnitude are premised on the concept that Federal policy for arts and humanities support must be revamped... This action will place more emphasis on the role of private philanthropy and state and local support for arts and cultural activities."*

The Administration contends that the private sector should "fill the gap" caused by the reduction in Federal funding for the arts and humanities. Moreover, the President set up a White House taskforce on the arts and humanities. In doing so, he expressed the hope that it will deliver a plan "to make better use of existing Federal resources and to increase support for the arts and humanities by the private sector." According to a White House official, the major purpose of the task force "will be to find ways the private sector might offset the cuts in the National Endowments for the Arts and the Humanities."

The American Association of Fund Raising Counsel's figures show that private support of cultural organizations has grown twelvefold since the two endowments were launched, to approximately $2.7 billion each year. Business support alone increased from $22 million in 1967 to $436 million in 1979.

* Additional Details on Budget Savings, Executive Office of the President, U.S. Office of Management and Budget, April 1981.

o Neighborhood and Community-Based Organizations

Local organizations with less access to Federal funds and to private sources of support are likely to fare less well. Community, neighborhood, and other voluntary citizen-participation organizations have prospered in recent years from Federal support. Their now threatened funding has come from a variety of sources, including CETA, housing and rehabilitation assistance, ACTION, the Community Services Administration, the National Consumer Cooperative Bank, the Economic Development Administration, and the Legal Services Corporation. Not only will the funding be severely cut, but the HUD Office of Neighborhood Self-Help Development, with a $9 million budget to oversee their interests, is being defunded.

Most are small, grass-roots groups, but the larger ones too are likely to feel the impact of the budget cuts. As Rochelle Stanfield of the National Journal pointed out recently:

> During the years that federal aid was handed out freely, the largest neighborhood organizations learned to take their place in the line before the federal money faucet along with the cities and other urban interest groups. They became so proficient at winning grants that they are now dependent on federal funds--either directly or through the cities--to support their operations... The neighborhood organizations are the most successful groups in terms of size, scope, accomplishments and power in their localities. Their success is, in large measure, the result of federal help, both financial and regulatory.*

The Office of Neighborhood Self-Help Development in the Department of Housing and Urban Development estimates that for every dollar it invests in self-help projects, $14 is contributed from local resources. To date, the projects of

*Rochelle L. Stanfield, "Grass Roots Gripes," National Journal, April 11, 1981, p. 617.

this office have generated 4,500 jobs and more than 6,000 housing units, both at a cost below that of many other government programs.* In proposing to terminate this office, the Office of Management and Budget contended that its activities--providing grants and technical assistance to community organizations for use as investment capital in revitalizaton projects--duplicate the efforts of the community development block grant program and the Neighborhood Reinvestment Corporation, and that block grants will be available for self-help projects.

According to White House Policy Adviser Dan J. Smith, the Administration is in the process of assessing Federal support for neighborhoods. At a recent meeting with representatives of several neighborhood and community organizations, Independent Sector, and the Council on Foundations, Smith encouraged neighborhood organizations to look at "community self-help strategies which lead to economic independence," and he urged them "to aim for more small contributions from individuals to sustain themselves." He was more optimistic than the spokespersons for the community groups about their ability to use "their tremendous political skills" at the city, county, and state levels to attract funding. He expressed confidence in the political expertise and social organizing techniques of the community groups and "would not necessarily despair at the change of locus of power."

o Cross-cutting Issues

In addition to the effects of the budget cuts in each of the specific functional areas described above, analysts, grantmakers, nonprofit staffers,

*Bruce Stokes, "Put Our Money Where Self-Help Is," Washington Star, April 27, 1981.

advocates for the poor, and others have called attention to the combined impacts of the budget reductions. Advocates for children, families, women, blacks, Hispanics, and American Indians, for example, have analyzed and are continuing to monitor the probable combined effects of cuts in social services, AFDC, Medicaid, food stamps, public service employment, day care services, mass transit funds, low income energy assistance, etc. While it is beyond the scope of this report to describe in detail the impacts of the budget reductions on each of these groups, it is evident that because many minority group members rely to a considerable extent on these programs, they and the support groups that represent them are likely to be worse off, particularly in the short-run.

CHAPTER III: IMPLICATIONS FOR GRANTMAKERS

Whether grantmakers view the Administration's fiscal policies positively or negatively, they agree that they are likely to have a far-reaching effect on the nonprofit sector. The probability that the budget reductions and changes in funding mechanisms will begin to be felt soon shifts attention to the private sector and its ability to assist affected organizations. How grantmakers view and respond to these changes is a matter of intense concern to all grantseekers, especially those whose public funding will be terminated or reduced.

PRIVATE PHILANTHROPY: CAPABILITIES AND EXPECTATIONS

A brief overview of the extent of recent private philanthropy in this country, reveals that private giving does not begin to match Federal outlays. Statistics in Giving U.S.A.--1981 Annual Report* show total private giving in 1980 amounted to $47.74 billion. Of this total amount, $39.9 billion (83.7 percent) was donated by individuals, $2.86 billion (6 percent) through bequests, $2.55 billion (5.3 percent) by corporations, and $2.4 billion (5 percent) by foundations. Thus, it is probable that foundations and corporations together will make grants next year of slightly more than $5 billion. By contrast, Congress approved Federal spending cuts of seven times that amount in July for FY 1982, and the President requested $13 billion in additional reductions two months later. These budget reductions fall hardest on those organizations and individuals who have little choice but to look to private philanthropy to ease their losses.

*American Association of Fund-Raising Counsel, Inc., Giving U.S.A.--1981 Annual Report New York, N.Y., 1981, p.6.

According to the Office of Management and Budget, in order to maintain the existing value of private support for nonprofit organizations in 1982, offsetting both inflation and the anticipated losses in public funding, there would have to be a 25.6 percent increase in support over that of 1981.

The following table illustrates the increase in private giving needed in FY 1982 for each of the major program areas of interest to grantmakers in order to offset the impact of the budget reductions on nonprofit organizations.*

Table 4

INCREASE IN PRIVATE GIVING NEEDED TO OFFSET IMPACT OF BUDGET REDUCTIONS ON NONPROFIT ORGANIZATIONS, FY 1982, BY FUNCTION ($ billions)+

	Estimated Revenue Loss in FY 1982	Private Giving in 1981 (Estimated)+	Percent Increase in Private Giving Needed in 1982 to Maintain Existing Value of Private Support and Offset Budget Impact+++
Social Welfare	$3.5	$ 6.6	+61.3%
Education	0.7	7.3	+17.9
Health	0.3	7.0	+12.6
International	0.1	3.6++	+11.1
Arts	0.1	3.3	+11.3
Total	$4.8	$27.8	+25.6%

+Based on data in Giving USA, 1980.
++Includes items other than International.
+++Using Reagan Administration inflation assumptions.

Similarly, private giving would have to increase by 144 percent between 1980 and 1984--or four times faster than it did between 1977 and 1980--in order to keep pace with inflation and make up for lost revenues.**

* Salamon, op.cit ., p.49.
** Ibid ., p.50.

Effects of Inflation

The effects of recent inflation on grantmakers' assets underscore the direct relationship between private philanthropy and the health of the economy. For example, although the total giving in 1980 increased by 10.2 percent over 1979, the inflation rate last year was 12.4 percent.* Inflation during the past decade greatly diminished the value of the assets of many independent foundations. The Foundation Center reports a decline in assets of 30 percent in constant dollars between 1972 and 1979 among independent foundations with assets of $1 million or more.

o Can Grantmakers "Fill the Gap"?

In recent months Administration officials and grantseekers have suggested that private philanthropy will somehow fill the gap created by cutbacks in public funding. Conversations with persons representing independent and community foundations and corporate givers have revealed virtual unanimity that such expectations are unrealistic. Brian O'Connell, president of Independent Sector, a membership organization composed of more than 260 nonprofit organizations, corporations, and foundations, has written: "Many people have the dangerously erroneous impression that foundation and corporate philanthropy will make up for a good part of the anticipated government cutbacks." He adds: "It is only a matter of fairness and reality to make clear how erroneous that impression is." Many foundation officers go further, agreeing with the view expressed by Alan Pifer, president of the Carnegie Corporation of New York, who stated in a speech to the Citizens' Committee for Children in June: "Is it not naive or disingenuous, perhaps dishonest, for anyone to suggest that the private sector can simply step up and take the place of government in the provision of human services?"

*American Association Fund-Raising Counsel, Inc., op.cit., p.64.

Foundation officials who support the economic theories adopted by the Reagan Administration acknowledge that private philanthropy cannot fill the gap. Leslie Lenkoswky, director of research of the Smith Richardson Foundation, which has long funded public policy research and writing by conservative economic and political theorists, says, "It is clear that private philanthropy cannot fill the gap, but what is not clear is that this is necessarily a problem. If you assume that everything government is doing ought to be done, then, of course, it is a problem." He added: "If a lot of what government is doing should disappear tomorrow, no one would know the difference."

This view is echoed by some Administration officials who acknowledge that a shortfall is likely to be created by government cutbacks, but state, as Treasury Undersecretary Norman Ture did at the Council on Foundation's annual conference in May, "Nothing says the gap should be filled." White House Chief of Staff James A. Baker III reportedly conceded as much in a recent meeting with newspaper editors and reporters. Nevertheless, however unrealistic, the expectation that the private sector can and should step in to make up for cutbacks in public funding of social programs has been fostered by some Administration officials.

GRANTSEEKERS' EXPECTATIONS

Many grantseekers and nonprofit organizations apparently expect the private sector to fill the gap left by the reductions in Federal funding. They also anticipate that public demand for services will still continue. So grantseekers are greatly increasing their appeals to both foundations and corporations, and various coalitions are organizing to press their case, not

only to Congress but to state and local officials as well. Some grantseekers in the arts and public broadcasting report it is less difficult than they had assumed to attract increased private support. Advocates for the poor, children, and minorities assert, however, that their quest for private funding is likely to be more difficult than for those who have traditionally enjoyed private, and particularly corporate, support. As Marian Wright Edelman, president of the Children's Defense Fund, commented, "It is now harder to raise the consciousness of foundations on poverty and minority issues." She adds, too, that "the burden of proof for submitting proposals is more substantial than it used to be."

Cushing Dolbeare, executive director of the National Low-Income Housing Coalition, an organization that provides back-up services and information for local groups and is composed of 750 organizations concerned with low-income housing, legal services, and other consumer issues affecting low-income residents, reports: "Our organization has been unsuccessful in attracting foundation and corporate support, with the exception of a couple of industry associations. Now with the government pulling out of providing services, information, and financial support, it is more important than before for groups like ours and those we represent to get in the door of private funders. For many, it will be a question of survival."

Several coalitions of organizations serving a broad spectrum of needs and interests have formed since the Reagan Administration announced plans to reduce Federal funding of social programs. These groups are lobbying Congress to restore funding to their respective areas; informing and organizing their constituencies; encouraging and assisting the development of state and local coalitions and lobbying efforts. The coalitions include: the AFL-CIO Budget

Coalition, composed of more than 200 labor, women's, religious, civil rights, environmental, and public interest groups; the Domestic Priorities Group, a coalition of more than 40 public interest groups formed to assess the proposed budget cuts; and the Block Grant Consortium, a coalition of 15 public interest groups initially organized to assess the impact of the proposed block grants on neighborhood and community-based groups.

Coalitions have been organized at the state and local levels, too, often by specific constituency groups whose funding is slated to be reduced substantially. In New York state, for example, the Emergency Campaign for Children and Youth, consisting of organizations throughout the state, was launched in late March. Its initial focus is to persuade the state legislature to replace some of the Federal funding cuts. In Washington, D.C., an alliance of public employees, unions, community organizations, and social service agencies, the D.C. Coalition Against the Reagan-Barry Budget Cuts, is fighting cuts in social services and layoffs. It also seeks to end congressional control of the city's budget.

As the organizations that have received substantial public support begin to face the reality of their funding needs in the next few years, many will turn more to private sources of support. The case of Boston's Juvenile Law Reform Project is instructive. According to its director, Russell Dunning, over 90 percent of the project's budget last year of roughly $800,000 came from the Justice Department's Office of Juvenile Justice and Delinquency Prevention. President Reagan proposed the termination of this office, but Congress reauthorized the program for two years at roughly 75 percent of this year's level. Nevertheless, Dunning believes that continued funding of his project is debatable, particularly since, he says, "even if OJJDP does survive, the

kind of institutional advocacy which we perform will not be a high priority." The remainder of the project's budget came from fees for individual case representation and from two small foundation grants, which recently ended. Dunning says that he is not optimistic about future foundation funding of the project. After meeting with more than a dozen foundation officials in recent months, it is his impression that most foundations are not interested in providing operating funds to pick up the slack created by the Federal budget cuts. Some have indicated that they are studying the question, but Dunning and other grantseekers think that they would be much more likely to fund service providers than advocacy organizations.

Those who have relied solely or almost exclusively on foundation funding, such as the Children's Defense Fund in Washington, D.C. or the Massachusetts Advocacy Center, an organization that monitors state agencies serving children and youth, are unlikely to find their circumstances radically changed. Says Betty Vorenberg, Deputy Director of MAC:

> Our funding is exclusively from foundations and individuals, and it is our policy not to accept state funding so as to avoid compromising situations. As a result, cuts in federal and state funding do not affect us directly. However, more and more, organizations which relied on public support will be going to the same private sources. We and others will simply be competing with more folks for even more limited resources.

Most grantmaking organizations report a significant increase in funding requests and inquiries. Soon after the budget proposals were announced, many grantmakers reported a rise in initial inquiries regarding the possibilities of funding, as well as requests for copies of annual reports. Bernard McDonald, a Ford Foundation program officer in the national affairs division which handles grants to community and neighborhood organizations, reported almost a fivefold increase in requests as of mid-May. Grantmakers in

states such as Massachusetts and California, where "tax revolt" legislation is having an impact, have noted a significant increase in appeals for funding. Most anticipate a much greater increase in grant requests when the realities of the Federal budget reductions begin to be felt. Large corporations especially have seen a surge in appeals for grants, frequently more than 25 percent over last year.

Kirke Wilson, executive director of Rosenberg Foundation, recently spoke to the issue of excessive public expectations regarding the capacity of private philanthropy. He reflected that views of many grantmakers who are concerned about whether private philanthropy will be and can be responsive to changing social needs.

WHAT GRANTMAKERS ARE DOING

"We in philanthropy have got to get our act together."

Jack Brauntuch, executive director of the J.M. Foundation in New York, sums up the observation of many foundation and corporate grantmakers as they face what is generally viewed as an extended period of rethinking their role and of increased outside attention to what they are doing. He sees this period primarily as one of unprecedented opportunity and "the kind of crisis which ought to mobilize the best in us. We ought to be concerned with creativity and innovation which we have been short on."

A contrasting view held by those grantmakers who are critical of what the Administration is doing is exemplified by Martin Paley, executive director of the San Francisco Foundation, who sees "no bright spots in a very grim picture." Likewise, Madeleine Lee, executive director of the New York Foundation,

notes: "The implication that it takes a crisis to make us look hard at our role reflects poorly on how we do business and on our professionalism as grantmakers." She views this period as one that confers more of an "exceptional responsibility for grantmakers who must not be diverted from what they're doing well just because many of the rules have changed." Similarly, Terry McAdam, assistant director for programs at the New York Community Trust and chairman of the Council on Foundation's Committee on Community Foundations, says, "We are 'hunkering down' and doing more of what we do better." Alan Pifer, president of the Carnegie Corporation of New York, agrees, "I don't see why the current situation presents any more opportunities -- only greater needs."

Conversations with funders representing independent and community foundations and corporations reveal a variety of continuing efforts and new initiatives, individually and in collaboration with other grantmakers, and with public officials. By these activities, they seek better to understand the changes that are taking place and how they can provide private support for unfilled societal needs. The following examples of individual and collective activities may serve as models for other grantmakers. Some of these activities may themselves be threatened by the budget cuts.

o Perceptions and Activities of Individual Grantmakers

Foundation Responses

Foundation officers interviewed by the Council indicated a number of priority measures that individual grantmakers are considering in light of the anticipated changes in Federal policies. These include efforts to monitor and assess the impact of the changes, to further sharpen their focus and define

their roles, and to encourage grantees to examine carefully their own operations. They unanimously expressed the importance of accurate, timely information about the impact of changes in governmental policies. At the Council's annual conference last May, Jane R. Giddings, vice president of the Charitable Trust Department, Hawaiian Trust Company Ltd., emphasized the necessity for the philanthropic community to operate from an informed base. Other grantmakers, stressed the need for foundations to understand the scale of the budget cuts and deregulation measures, as well as the impact of the block grants on each program area. When Proposition 13 was voted by Californians in 1978, the necessity for accurate and up-to-date information on state as well as Federal policies affecting their programs spurred 15 grantmaking organizations in the San Francisco Bay Area to form the Committee on Government Funding in order to collect, analyze, and monitor information about changes in these policies as well as to take individual and collective action.

Other funders see the need for information about policy changes not merely as their concern, but for the public as well. Richard Boone, executive director of the Field Foundation, stressed the need for the public to understand the implications of what is happening. The Field Foundation, the Foundation for Child Development, the Commonwealth Fund, and the Mary Reynolds Babcock Foundation, among others, have supported new projects to monitor block grants and budget cuts affecting certain program areas.

Some grantmaking organizations see the current situation as providing the opportunity for stimulating their own processes of self-evaluation and sharpening their focus. In view of the anticipated increase in demand for private funds, Stephen B. Minter, associate director of the Cleveland Foundation,

emphasized "the critical importance for the philanthropic community to have sorted out for themselves what they want to support, so as to let grantseekers know. If not, he predicts a backlash against grantmakers, "since we have given them a different message for 14 years."

Some foundations are asking themselves whether and how the changes in Federal policies will affect the kinds of support they provide. Those grantmakers who have funded social change activities since the mid-'60s have said that the current situation raises significant questions about their ability to continue funding innovative demonstration projects at a time when grantseekers may have to rely on private funding for general support of their activities. Glenn Ihrig, executive director of the Public Welfare Foundation in Washington, D.C., foresees more "support for survival" and direct service activities with concommitantly less seed money for new projects.

Some foundation directors anticipate that although as a rule they do not provide funds for general support, they may be forced to do so in some fields particularly affected by the budget cuts, such as community development and child welfare services.

Other foundations say they expect to continue assisting their present grantees and probably to make grants for somewhat longer time periods. Some express reluctance to initiate new projects, particularly those that depend in part on public support. Says New York Foundation's Madeleine Lee: "We are facing the reality that we may not start anything new because we believe it is irresponsible to bring a new project into being with little likelihood of continued [nonfoundation] support." She continued: "We plan to stay with the projects we started so they won't get swept away. We don't want to lose the energy and talent of the leaders of these organizations."

The picture that is beginning to emerge, then, is one of grantmakers who are asking hard questions of themselves and their colleagues as the reality of the budget cuts begins to hit home. Some, such as the Cleveland Foundation's Stephen Minter, foresee the likelihood that foundations will support primarily the same groups that they fund currently, but warn against "spreading themselves too thin," and urge grantmakers to "resist the temptation to share the cuts across the board with the result that all emerge weaker." Another concern frequently expressed by funders is that they should pay special attention to the neediest groups in society, especially children and minorities.

Other grantmaking officials concur, too, with the sentiments of one foundation official: "Are we going to sit back and say that everything the Federal Government was doing is worth doing? Or, now that we will have to pay for it ourselves, are we going to ask ourselves the kinds of hard questions that need to be asked?"

Some persons close to the foundation world have wondered how much grantmaking will actually change in response to the shifts in public policy. Says Bobbie Kilberg, project director of the Aspen Institute's Committee for the Third Sector, "It may be difficult for foundations to get beyond saying they will reassess their roles. They all can verbalize the need to make adjustments in their priorities, but the question is how they actually will act." A more critical view is that of Jim Abernathy, of the National Committee for Responsive Philanthropy, who says that it is his perception that, with some clear exceptions, "foundations do not think very much, plan very much, or look at their communities very much regarding assessments of needs."

Corporations Respond

For corporate funders, the outlook is somewhat the same, although they seem to be the principal targets of the expectations many have expressed regarding the need to make up the funding gap. This is primarily because both government and nonprofit organizations see the enormous untapped potential of business, in terms of resources and their commitment to assisting voluntary initiatives. As Kenneth Dayton, chairman of the Executive Committee of Dayton-Hudson Corporation, has written, "Every snip of [OMB Director] Stockman's shears offers business an unparalleled opportunity to help America find non-government alternatives to meet the needs now serviced by the programs facing budget cuts. . . America's new beginning challenges all America--but business in particular--to back up its rhetoric with hard dollars where support for voluntary initiative is concerned."

Business organizations donated some $2.55 billion in charitable contributions in 1980, increasing their giving about 5 percent over 1979 despite the fact that overall profits declined by approximately 12 percent. Corporate giving now absorbs slightly more than 1 percent of total pre-tax profits, short of the 5 percent limit allowed until now by the Internal Revenue Code.*

Encouraging businesses to increase their giving has been remarkably successful in several cities, including Minneapolis, the home of Dayton-Hudson, which made the 5 percent contribution a policy 36 years ago. In Seattle, Louisville, Baltimore, as well as Minneapolis where 45 businesses give at the 5 percent level, "Five Percent Clubs" have formed. The Conference Board,

*The Economic Recovery Tax Act of 1981 recently passed by Congress extends to 10 percent the limit on the percentage of pre-tax profits a company may donate to charitable organizations.

however, estimated that only 25 to 30 percent of the more than 2 million U.S. corporations made contributions. Thus, some see business as a major untapped resource to help those likely to be hurt by the cutbacks in public funding.

Priorities of most corporations, including corporate foundations, are frequently different from those of independent foundations. In general, their giving tends to be more directly related to their own interests and activities and to help support traditional and often local recipients such as hospitals, universities, museums, and symphonies.

Although the Conference Board states that less than 30 percent of the country's two million companies report to the Internal Revenue Service that they make philanthropic donations, evidence is mounting that corporations are exploring new and additional ways to respond to the increasing role of the private sector as public funding is being withdrawn. It is significant that the National Business Roundtable issued a position paper in March, calling on the business community to increase its philanthropic activity. The Roundtable stated, in part: "If the business community is serious in seeking to stem overdependence on government and still allow the private, not-for-profit sector to make the same contributions to society that it has in the past, business must itself increase its level of commitment." The March statement was also endorsed by the National Association of Manufacturers and the Chamber of Commerce.

E.B. Knauft, vice president for corporate social responsibility at Aetna Life & Casualty Co. in Hartford, predicts that, especially as the private sector is being called on to play a greater role, more and more corporate dollars will "go to institutions on the cutting edge of social problems." Knauft and other

leading spokespersons for corporate philanthropy continue to speak of the wide range of possibilities, other than financial contributions, to increase their participation. These noncash contributions include program-related investments, employing the disadvantaged, and supplying "loaned executives," including lawyers and accountants, to nonprofit organizations.

o Collaboration among Grantmakers

For some time, foundations and corporations have recognized the advantages of working together in a variety of ways. Increased collaboration in sharing information, monitoring, planning, and undertaking joint activities have all received added impetus as grantmakers become more aware of the implications of the new policies of the Reagan Administration. Although some of these collaborative activities were initiated before the proposed changes in Federal policies were announced, they nonetheless serve as useful models for other grantmakers seeking to work together to keep abreast of the impact of the changes and to maximize their limited resources at a time of mounting expectations for private funding.

Information-sharing and Planning among Grantmakers

Several promising models for joint sharing and assessment of information exist. These include collaboration both on an area or regional basis and in regard to program areas of mutual concern to grantmakers.

o The Committee on Government Funding is a Subcommittee of the Northern California Grantmakers. It is composed of 15 grantmaking organizations and was originally formed in response to the loss of public funding in California as a result of Proposition 13. The committee has contracted with the Children's Rights Group, a private, nonprofit corporation, to receive periodic,

comprehensive reports collecting and analyzing data and monitoring activities at the Federal, state and local levels that affect decision-making and grant programs in areas such as education, health, and social services. According to Martin Paley, executive director of the San Francisco Foundation and chair of the Committee on Government Funding, the expectations for services from more people combined with massive funding cuts call for greater cooperation and communication among grantmakers. Members of the committee credit it with what they see as a high level of awareness of public policies among funders in the Bay Area.

o Area associations of grantmakers, too, are attempting to assess the impact of the new Federal policies. Prior to the passage of Proposition 2-1/2 in Massachusetts in November 1980, Associated Grantmakers of Massachusetts, an area association composed of 16 foundations, 4 bank trust departments, and 17 corporate members, established a public funding roundtable for its members headed by Joan Diver, executive director of the Hyams Charitable Trust in Boston. Members meet regularly with public officials in order to obtain information grantmakers need. AGM has initiated the first steps in establishing a continuing dialogue with Massachusetts Human Services Secretary Charles Mahoney. Like the Committee on Government Funding, AGM's emphasis on public sector decision-making began well before President Reagan's election. Janet Taylor, executive director of AGM, asserts that the public funding roundtable has proven to be a useful mechanism for obtaining and disseminating information about the current policies at both the state and Federal levels.

o Similarly, the Northern California Grantmakers formed a refugee task force last year composed of representatives of 14 corporations and foundations. It aimed to consolidate efforts to aid Indochinese refugees when the

Federal Refugee Resettlement Act was moving too slowly. Its meetings were attended by representatives of the mayor's office, the Federal regional office, and the director of the California refugee office.

o Approximately 60 members of the New York Regional Association of Grantmakers held a meeting on June 25 to consider the topic, "Federal Budget Cuts and Grantmakers: What Is Our Response?". Donald Elliott, board member of the New York Foundation and chairman of the Board of Trustees of the National Urban Coalition, emphasized that the grantmakers today are facing fundamental shifts in the relationship between the public and private sectors and they must now confront the question of their role in society. The participants addressed these and related issues in small work groups, each of which reacted to a case study about a mythical independent foundation confronted with cutbacks in Federal funding to longtime grantees, as well as new demands for their limited resources. Greg Farrell, executive director of the Fund for the City of New York, served as rapporteur, summarizing the deliberations and concerns of the three different "boards of trustees." The principal conclusions reached as New York grantmakers attempted to make grants in light of the Federal budget cuts may be instructive to other funders: Foundations should pay out more this year in view of the anticipated reduction in public funding; they should not adopt a passive, "wait-and-see" approach to changes in public policies, but have a responsibility to help shape the public agenda; and they should examine the way they do business as grantors, especially the extent to which they shape grantees' agendas, and should encourage greater productivity in their grantees and provide incentives for them to attract and stimulate other sources of support.

The large attendance at this meeting was indicative of the members' concerns regarding impact of the budget cuts. They commended the creative format and felt the meeting was helpful and could serve as a model for other associations of grantmakers confronting the same issues in their localities.

o In a few areas, funders have been exploring innovative ways in which they can collaborate with the public sector. One such example is the relationship between the United Way of Eastern Fairfield County in Connecticut and the Bridgeport Area Foundation. They have worked closely together for a number of years; the foundation provides a consultant to the United Way to work with its staff in support of the work and mutual interests of the two organizations. They also explore ways in which they can work with the public sector. In 1979, the United Way appointed a public-private task force composed of community leaders from the private and public sectors to examine the voluntary sector's relationship to government in the provision of human services. Currently, representatives of the United Way and the Connecticut foundation community meet on a regular basis with the director and members of the state Office of Policy and Management in an effort to educate state officials on the role of the private sector and to work out agreements between the state government and the private sector on funding resources. Richard O. Dietrich, executive director of the United Way of Eastern Fairfield County, described the organization's objectives this way: "Our purpose is to provide whatever assistance we can to you and your colleagues both in terms of ideas, new organizational patterns, and shared responses between the public and private sector as we seek to ensure maximum service and minimum harm to the people of our state and to find new patterns of working together."*

*Richard O. Dietrich, letter to Stephen B. Heintz, April 14, 1981.

To date, this working relationship between the public and private sectors in Connecticut has shown signs of success. Representatives of the community foundations and the United Way report that public officials are quite open to their help and participation.

Joint Funding Activities

Like the joint information gathering and planning among grantmakers cited above, private grantmaking organizations cooperate in numerous ways to enhance and maximize their funding activities. Many see these joint efforts as even more important now in view of the expected budget cuts and their likely impact on many grantees.

o In addition to cooperation among foundations to support projects of mutual interest, joint funding by foundations and corporations is increasingly viewed as the means of stretching the private dollar. In some areas, such cooperation is being institutionalized. Danella Schiffer, a staff member of the Carnegie Corporation of New York, an independent foundation, serves full-time as a liaison with the corporate world and tries to find common interests with corporate funders. Carnegie program officers recognize that these collaborative efforts are not going to solve the problems created by shortfalls in public funding but think that they may help produce some additional corporate funding for the kinds of projects in which the foundation is interested.

o Probably the most significant example of foundation-corporation collaboration to date is the Local Initiatives Support Corporation (LISC), begun in 1980. Seven majo banking, insurance, and industrial firms joined with the Ford Foundation to establish LISC with some $9.5 million to assist self-help groups that have been organizing to revitalize deteriorating communities

throughout the country. LISC was designed to help draw the business, community and government sectors into a closer, more effective coalition. The Ford Foundation also reports that many foundations and corporations have approached LISC to join them in raising community development funds for their localities. The approach adopted by LISC could serve as a model for more modest efforts around the country. This year, Ford allocated an additional $5 million to match contributions from the private sector to initiate LISC programs in several communities.

o The New York Community Trust, a community foundation, operates the Corporate Special Projects Fund, a collaborative effort of eight national and international corporations initiated in 1977 during New York City's fiscal crisis. Each corporation contributes $25,000 annually to the fund, which is administered by the NYCT staff. The basic concept of the fund is that it permits corporations working together to participate in projects that they could not support individually either because the projects are too expensive, they would require extensive staff work to evaluate and monitor, or fall outside the field of interest or expertise of an individual corporation. During the four years since its inception, over $600,000 has been committed to 17 organizations. The New York Community Trust views the fund as a vehicle that could be useful to large and small community foundations and thinks that in some respects it may be more useful to try to organize such an effort in smaller communities where it could have a more significant impact.

Emergency Funding Programs

The existence of emergency funding programs predates the current Federal budget cutbacks by several years. Area associations and foundations initiated

most of these programs to make short-term loans to nonprofit organizations caught with cash flow problems caused by the time lag between the award of government grants or contracts and the actual receipt of funds. In addition, these programs provide relatively small grants to private, nonprofit agencies in the human service field that are experiencing emergencies that threaten their existence, while others assist organizations with problems related to high energy costs.

Some emergency funding programs are supported and administered by a single grantmaking organization. These include the St. Paul Foundation's Community Sharing Fund, the Piton Foundation's Community Cash Flow Fund, and the Emergency Loan Funds operated by the Edyth Bush Foundation, the San Mateo and Santa Clara Community Foundations, and the Playboy Foundation.

Collaborative efforts of several grantmaking organizations to pool their funds and expertise to provide emergency funding is increasingly common, particularly through area associations, and foundation officials think that the Federal budget cuts may lead to an increase in this kind of assistance. The Fund for the City of New York has administered such a program since February 1976, with grants and loans from foundations, corporations, and banks.

A fund has been started by the Chicago Donors Forum. Forty-three of its members have contributed $146,000 to start their emergency loan program. The largest emergency funding program is the Foundations-Corporations Emergency Fund Committee in the San Francisco Bay Area. The committee has 21 participating foundations, corporations, and federated fund-raising agencies who last year contributed $260,500 in cash, pledges, and in-kind services.

Another type of emergency loan program designed to assist nonprofit organizations with their fuel bills has been established in several communities recently. Interest-free loans or grants to help nonprofit organizations conduct energy audits of facilities and then arrange bank loans to implement the energy-saving recommendations have been made by the New York Community Trust, the John A. Hartford Foundation, the Rockefeller Brothers Fund, and the Bird Company Charitable Trust, among others.

Although nonprofit organizations are often reluctant to borrow money, some foundation officials have been urging them to obtain loans for such activities. One innovative project of this type is the New York Energy Conservation Fund. It was initiated in September 1980 and now has 11 participating nonprofit agencies. Foundation officials in regions most affected by soaring energy costs think that their efforts to assist organizations by providing loans for energy audits, technical assistance, and special cash flow or commercial loans for construction will be even more in demand as the combined impact of the budget cuts and high energy bills are felt next winter.

o Public/Private Collaboration

A program officer of the Rockefeller Brothers Fund commented last year: "The significant thing about the '80s is that it is a time for new kinds of government-foundation packaging." Although many examples exist of private-public collaboration in grantmaking in recent years, the probable cutbacks in government funding over the next few years are likely to test this approach. One effect of current policies feared by some is that foundation money may be pulled out on the heels of government money.

The Ford Foundation's Bernard McDonald explains: "Much of our giving is supplemental, usually supplemental of government grants. If there is nothing there to supplement...." Likewise, Patricia Barrett, of the United Way of America, expresses concern that because many of the United Way's funding decisions were based on what government was and was not doing, they will also now have to rethink their giving patterns. She explained that in the past, United Ways helped some organizations get money from government with the idea that it would then loosen up more money for other things the government was not funding: "If we just look at what we're doing today apart from what the government is doing, we would be making a big mistake." Both private grantmakers and public officials nevertheless see most of the existing types of partnerships continuing despite the likely reduction in public funding of nonprofit organizations and activities. Not only have community foundations and area-wide associations of grantmakers become increasingly sophisticated and knowledgeable about the needs in their communities, but they have encouraged partnership between the public and private sector, frequently brokering joint-funding projects.

One type of public-private collaboration is exemplified by FORUM:USA, a project directed at involving broad citizen participation and dialogue on contemporary issues at the local level. FORUM:USA is project of the Aspen Institute for Humanistic Studies, assisted by the United Way and funded by a matching grant from the National Endowment for the Humanities and by private foundations and individuals. The stimulus for this project, according Lisle C. Carter, Jr., Chairman of the Steering Committee of FORUM:USA, is that it responds to the need "to build stronger bonds between public and private institutions at the community level, and between local and national organizational institutions."

Grantmakers, grantees, and public officials all agree that the coming years will likely be a time for innovative public-private collaborative efforts. Some see the focus for both public and private funding shifting more toward providing seed capital and support for capacity-building for community organizations and others to enable them to gain expertise and management skills and move toward economic independence. As Dan J. Smith, President Reagan's policy adviser for neighborhood and community concerns, stated recently, "These organizations are going to have to explore post haste strategies for survival, especially those that are directed to community self-help and economic independence." He agrees with leaders of community-based groups that organizations do need to attract funding for "capacity building." For Smith, "who provides what services in the '80s is the fundamental question."

o Strengthening Management Capabilities

Just as the public at large supports government initiatives to eliminate waste and mismanagement in its own operations and in the programs it supports, so too corporate and foundation donors also see the need to encourage grantee organizations to operate more efficiently. Grantmakers are talking more these days about improving "capacity building" in private, nonprofit organizations, funding more technical assistance activities to help groups strengthen their own management capabilities and to better analyze their services, as well as to assist some groups to merge or phase out their operations as their funding is reduced.

Many are also considering the difficult question of "weeding out" some of the more inefficient, duplicative, or weaker organizations in a given field that in the past received both public and private support. This concept evokes

varied reactions from grantmakers. Some fear that we may be heading toward a period of "social Darwinism," but they acknowledge that while some weak agencies may have to fold, they probably will not be missed terribly. Other grantmakers see the coming period primarily as one of opportunity to eliminate organizations that they view as providing inefficient or even unnecessary services.

Regardless of whether they view the tenuous future and possible demise of some nonprofit organizations as a regrettable or welcome development, most private grantmakers tend to agree with the observations of journalist Neal Peirce, who spoke at the April meeting of the Minnesota Council on Foundations. He stated that the Federal budget cuts will accomplish some absolutely necessary reforms, inevitably causing some programs to be administered more economically. Peirce asks what he terms a "key question" for funders, which sums up what many are saying: "Will we be able to use these dark days of cutback and recission and program termination to fashion some more efficient, more cost-productive, more humanly responsive ways of doing business in both government and philanthropy?"

The New York Foundation's Madeleine Lee explains her point of view:

> I too believe that there is waste, inefficiency, and abuse in government and in the programs it has funded. Also, we have looked to government to do some things that we can do for ourselves. However, I do not think that, in the name of efficiency, the answer is to cut off services to people whom the system does not allow to help themselves, particularly since at the same time the government is increasing military spending, dairy price supports, and tobacco subsidies.

Fund-raising and management consultants see the present period as calling for improved management by nonprofit organizations if they are to survive. The

newsletter of the National Society of Fund Raising Executives expresses this view:

> Under the new Administration's programs, perhaps no other area of nonprofit organizations deserves more attention than their effective administration and management. Funding sources are becoming increasingly more sophisticated in weeding out ill-equipped and poorly managed organizations from their roster of prospective grantees... The need for professional fund-raising executives will be more acute as nonprofits struggle to maintain and expand their services for present and future generations.

Clearly, the recognition of the need for belt-tightening by government and the private, nonprofit sector alike is widespread. In addition, some grantmaking organizations themselves see the importance of attempting to reduce their own costs as one means of husbanding scarcer resources for their grantees. As a rule, foundation officers do not consider their operations inefficient or extravagant, but some are looking at additional ways to trim their own expenditures.

Some leaders of the nonprofit sector also see opportunities for working with government and for stimulating increased private giving. Independent Sector's Brian O'Connell, for instance, thinks that "we can use these times to get some things done that are long range and will strengthen philanthropy." He continues: "I think we can go to the Administration after some of the damage has been done and make clear to them that they are undermining the very sector they want to strengthen. Then I think we can come up with a program we can move on." He has written a "voluntary initiatives" program, which lists 12 things the Administration can do "to appear as builders rather than budget cutters."

CONCLUSION

There is one clear conclusion to this report: the recent budget cuts pose new and serious challenges for grantmakers and grantseekers alike. They are new because Federal funding, so heavily relied upon during the past 15 years or so, will be sharply curtailed. They are serious because, regardless of how optimistic some may be about possible solutions, there are likely to be major shortfalls in public support in all areas of concern to grantmaking organizations, from the arts to social welfare.

As this report indicates, there is already growing awareness of the nature and extent of the effect of the Administrations's policies on grantmaking. Moreover, a number of projects, some of recent vintage and others moving into high gear, are seeking to provide answers to some of the questions raised by the budget cuts.

These changes signal new relationships among government, the private sector, and the nonprofit sector. While the interdependence among the sectors will certainly continue, the nature of these relationships and, fundamentally, of the responsibilities and roles of the three sectors is being examined in the light of changes that are currently taking place in our national life.

Private philanthropy is being challenged as never before to assume a leadership role in helping society meet its responsibility to its citizenry. Nevertheless, corporate and foundation leaders emphasize that there is no way that they can fill the gap created by the Federal budget cuts. Over the long term, too, there is much that independent philanthropy cannot do. For example, it cannot fund replacements for government-supported social welfare programs or shore up deteriorating urban areas. In the short term, however,

independent philanthropy can fulfill at least two important roles. First, grantmakers can continue to support the best of what they have funded in the past, with a sharp eye to program quality, management capability, accountability, and cost effectiveness. Secondly, they can assume an even greater leadership role in their communities, regions, and nationally by working together to develop new ideas, to engage in dialogues and problem-solving, and to consolidate their resources better, and by encouraging grantseekers to do the same.

The current situation places an enormous burden on grantmakers who see that they have a greater role to play in defining new agendas and in supporting cooperative strategies among grantees, bringing people together in new ways that do not rely principally on Federal service delivery and grant programs. More than in the past, grantmakers must examine issues regionally and locally, rather than nationally, recognizing that needs, concerns, resources and public support vary across the country.

One other concluding observation should also be clear. Donors and donees now have both the opportunity and the need to reevaluate their funding mechanisms and their priorities, as well as to strive for greater efficiency and effectiveness. Every need cannot be fulfilled, and some worthwhile organizations may not survive. How to make the best of what is a difficult situation, at least in the short run, is the challenge for the next several years.

APPENDIX

I. SOME ORGANIZATIONS THAT HAVE ISSUED ANALYSES OF THE REAGAN ECONOMIC PROGRAM

II. PROGRAMS OF INTEREST TO NONPROFIT ORGANIZATIONS TARGETED FOR ELIMINATION IN THE REAGAN BUDGET PROGRAM

APPENDIX

I. SOME ORGANIZATIONS THAT HAVE ISSUED ANALYSES OF THE REAGAN ECONOMIC PROGRAM

NOTE: The following listing of organizations which have issued analyses of the Administration's budget cuts and changes in the tax law includes many public interest and intergovernmental organizations that monitor the budget process. Since this list was compiled, many of these organizations have issued subsequent reports.

The Academy for Contemporary Problems
400 N. Capitol Street, N.W.
Suite 390
Washington, D.C. 20001
(202)638-1445

- "Carter and Reagan Budgets FY 81-83 for Selected Departments," April 17, 1981.

American Enterprise Institute
1150 17th Street, N.W.
Washington, D.C. 20006
(202)862-5800

- Rethinking Federalism: Block Grants and Federal, State, and Local Responsibilities, by Claude Barfield (to be published 10/81).

The Brookings Institution
1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036
(202)797-6000

- Setting National Priorities: The 1982 Budget, Joseph A. Pechman, ed., May 1981.

Center for Community Change
1000 Wisconsin Avenue, N.W.
Washington, D.C. 20007
(202)338-6310

- Federal Programs Monitor, "President Reagan's Proposed Budget Cuts: Poor, Low Income Families Pay a High Price," March 1981 (and periodic reports).

The Center for the Study of Welfare Policy
236 Massachusetts Avenue, N.E.
Washington, D.C. 20002
(202)546-5062

- o "Analysis of the Consequences of Revising the Medicaid/AFDC Formula on States and Poor People," June 3, 1981.
  "The Poor; Profiles of Families in Poverty," March 27, 1981.

Childrens Defense Fund
1520 New Hampshire Avenue, N.W.
Washington, D.C. 20036
(202)483-1470

- o "A Children's Defense Budget: A Response to President Reagan's Black Book," March 17, 1981.
- o "Data Appendix: State and Local Impact Materials," June 10, 1981 and periodic updates (unpublished).

Children's Rights Group
693 Mission Street, Suite 500
San Francisco, CA 94105
(415)495-7283

- o "Human Services Block Grants and Budget Bulletins" (periodic).

Congressional Budget Office
House Office Building Annex #2
Washington, D.C. 20515
(202)226-2621

- o "An Analysis of President Reagan's Budget Revisions for Fiscal Year 1982," March 1981.

Council of Better Business Bureaus, Inc.
Philanthropic Advisory Service
1150 17th Street, N.W.
Washington, D.C. 20036
(202)862-1200

- o "A Question of Artful Funding," Insight, March-April 1981.

Democratic Study Group
1422 House Office Building
Washington, D.C. 20515
(202)225-2858

- "Reagan's Proposed Budget Cuts," Special Report #97-8 (and other periodic special reports).

Human Services Information Center
1408 N. Fillmore Street
Arlington, Virginia 22201
(703) 527-1634

- "Human Services in the 1980's: A White Paper for Citizens and Government Officials," June 26, 1981.
- A Citizen's Guide to Changes in Human Services Programs, edited by Jule Sugarman, September 1981.

Independent Sector
1828 L Street, N.W.
Washington, D.C. 20036
(202)659-4007

- "The Impact that Federal Government Cutbacks Will Have on Philanthropy and Voluntary Organizations," May 15, 1981.

Joint Center for Political Studies
Suite 400
1301 Pennsylvania Avenue, N.W.,
Washington, D.C. 20004
(202)626-3500

- "Budget Cuts and Black Children," Focus, March 1981.

League of Women Voters of the United States
1730 M Street, N.W.
Washington, D.C. 20036
(202)296-1770

- "A Statement on the Revised Fiscal Year 1982 Budget," March 13, 1981.

National Association of Social Workers
1425 H Street, N.W., Suite 600
Washington, D.C. 20005
(202)628-6800

- "The Advocate for Human Services," April 1981 (and periodic).

National Center for Economic Alternatives
Suite 200
2000 P Street, N.W.
Washington, D.C. 20036
(202)833-3208

- o "Marching to Dunkirk," February 1981.
- o "Beyond Voodoo Economics," Spring 1981.

National Conference of State Legislatures
444 North Capitol Street, N.W.
Washington, D. C. 20001
(202)624-5416

- o "The Economic Recovery Plan: Impact on the States," Feb. 20, 1981.
- o "The Proposed FY 1982 Federal Budget and Its Effect on the States," March 13, 1981.

National Council of Senior Citizens
1511 K Street, N.W.
Washington, D.C. 20005
(202)347-8800

- o "The Administration's Spending Reduction Proposals--Impact on the Elderly," March 26, 1981.

The National Urban Coalition
1201 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202)331-2400

- o "An Analysis of Reagan Administration Fiscal Policies and Selected Budget Proposals for FY 1982," March 1981.
- o "Block Grants: A New Solution or an Old Problem?" May 15, 1981.
- o "Impact of Selected Domestic Program Cuts," (for the Domestic Priorities Group), March 12, 1981.

North East-Mid West Institute
3588 House Office Building Annex #2
Washington, D.C. 20515
(202)225-1082

- o "A Review of OMB's Regional Analysis of the President's Economic Recovery Program," April 24, 1981.

Public Citizen (Congress Watch)
215 Pennsylvania Avenue, S.E.
Washington, D.C. 20005
(202)546-4996

- o The Congress Watcher, May/June 1981.

Republican Study Committee
433 Cannon House Office Building
Washington, D.C. 20515
(202)255-0587

- o "Social Services Budget Analysis," Backgrounder, April 10, 1981.

United Way of America
801 N. Fairfax Street
Alexandria, VA 22314
(703)836-7100

- o "Analysis of President Reagan's Budget Proposals," April 1981.

United States Conference of Mayors
1620 Eye Street, N.W.
Washington, D.C. 20006
(202)293-7572

- o "The FY 82 Budget and the Cities," May 1, 1981.
- o "State Block Grants and the Cities," June 13, 1981.

U.S. Office of Management and Budget
926 Jackson Pl., N.W.
Washington, D.C. 20503

- o "Fiscal Year 1982 Budget Revisions," March 1981.
- o "Additional Details on Budget Savings," April 1981.

The Urban Institute
2100 M Street, N.W.
Washington, D.C. 20037
(202)223-1950

- o "The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals," May 1981.
- o "The Federal Government and the Nonprofit Sector: The Impact of the 1981 Tax Act on Individual Charitable Giving," August 25, 1981.

The Women's Research and Education Institute
400 South Capitol Street
Washington, D.C. 20003
(202)546-1010

- "Impact on Women of the Administration's Budget Propoals," April 1981.

II. PROGRAMS OF INTEREST TO NONPROFIT ORGANIZATIONS TARGETED FOR ELIMINATION IN THE REAGAN BUDGET PROGRAM *

FUNDS APPROPRIATED TO THE PRESIDENT
- Appalachian Regional Development Program
  - Non-highway programs
- International Development Assistance
  - African development foundation

DEPARTMENT OF AGRICULTURE
- Farmers Home Adminstration
  - Alcohol fuels/biomass loans program
  - Business and industry loan guarantee program
  - Home ownership assistance program
  - Rural development planning grants
  - Rural housing supervisory assistance grants
- Food and Nutrition Service
  - Summer feeding program

DEPARTMENT OF COMMERCE
- Economic Development Administration
- Regional Development Commissions
- National Oceanic and Atmospheric Administration
  - Sea grant program

DEPARTMENT OF EDUCATION
- College Libraries
- Institute of Museum Services
- Educational Outreach Programs
- Public Service Grants and Fellowships

DEPARTMENT OF ENERGY
- Energy Conservation Programs
  - Appropriate technology small grants
  - Residential/commercial conservation service and auditor training
  - Innovative conservation delivery demonstrations
  - Energy extension service
  - State energy conservation grants (basic and supplemental)

*This listing was compiled by Lester M. Salamon and Alan J. Abramson for their report, The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals, Washington, D.C.: The Urban Institute, May 1981.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
- State Renal Disease Network Councils
- Clinical Training for Mental Health and Substance Abuse (1983)
- National Institute of Occupational Safety and Health Training
- Nursing Research Grants
- Nursing Fellowships
- Health Professions Loans, Nursing Loans, Nursing Capitation, Nursing Traineeships, Nursing Scholarships
- Health Professions Schools Start-Up
- Dental Training
- Emergency Medical Training
- Allied Health
- Health Professions Education Improvement and Development
- Health Planning
- Maternal and Child Health Research and Training
- Exceptional Needs Scholarships
- Health Maintenance Organizations
- Vocational Rehabilitation
- National Clearinghous on Aging
- Cuban Refugee Phasedown
- Cuban/Haitian Entrants Education Assistance

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
- Non Profit Sponsor Assistance
- Section 202, Elderly and Handicapped Housing Fund
- Solar and Energy Conservation Bank
- Planning Assistance
- Rehabilitation Loan Fund
- Neighborhood Self-Help Development Program

DEPARTMENT OF THE INTERIOR
- Urban Park Rehabilitation Fund
- Land and Water Conservation Fund, State Recreation Grants
- Youth Conservation Corps

DEPARTMENT OF JUSTICE
- Office of Justice Assistance, Research, and Statistics, Juvenile Justice and Delinquency Prevention Program

DEPARTMENT OF LABOR
- Public Service Employment
- Young Adult Conservation Corps (YACC-Title VIII of the Comprehensive Employment and Training Act)
- Welfare Reform Demonstrations (Title III of the Comprehensive Employment and Training Act)

OTHER INDEPENDENT AGENCIES

Volunteers in Service to America (VISTA)
Community Services Administration
Legal Services Corporation
National Consumer Cooperative Bank
National Science Foundation
Science and Engineering Education
Office of Personnel Management
Intergovernmental Personnel Act (IPA) Program